

SEVENS REPORT *alpha*

Alpha Webinar #48 – New Policy Driven Tactical Strategies with Ben Phillips

Thursday June 27th, 2019

Presenter: Tom Essaye

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Goals for Today's Webinar

- Sports Betting – Who are the winners and losers of the Supreme Court allowing legal sports gambling?
- Implications of potential Uranium tariffs – This is a little followed issue but it's a potentially big opportunity in the right names.
- The Space Force - There's opportunity in the satellite and rocket names among others.

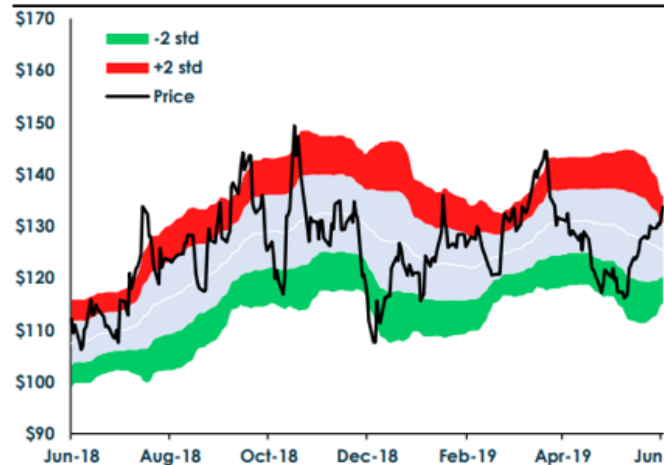
EventShares Policy Alpha ETF (Ticker: PLCY)



Uranium — Miners

- Section 232 nuclear study is preventing the short-run uranium market from functioning efficiently
 - Uranium is the key input in nuclear energy production. Utilities producing nuclear energy typically enter long-term contracts to purchase uranium, but have pulled back from the long-term contract market due to concerns over potential quotas or tariffs.
- Exiting cyclical lows
 - Uranium mine and mill overcapacity created a supply-demand imbalance in the uranium markets on the back of the 2011 Fukushima accident.
- Inflection Point
 - A resolution to Section 232 (expected during summer 2019), could restore the market functionality if utilities begin to lock in long-term contracts.
 - At the company level, we focus on companies with scale advantages, high quality mining assets, and those that didn't dilute equity owners during the uranium market lows

Trading Range (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

Relative Returns to S&P 500 Index (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

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Uranium — Miners

20%

Percentage of U.S. electricity generated by nuclear power

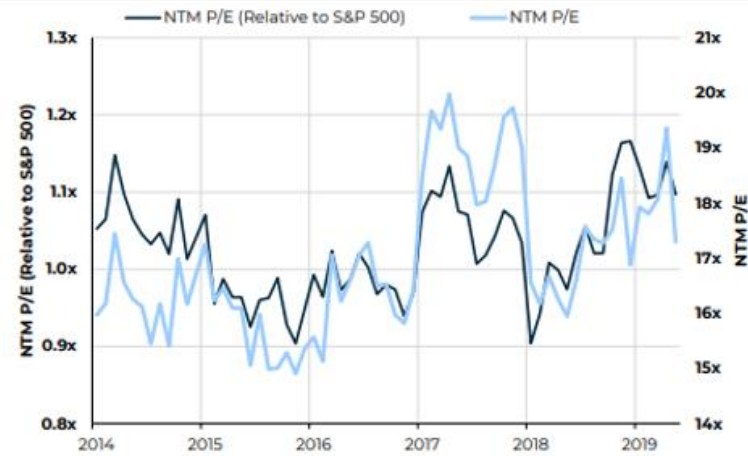
93%

Amount of domestic uranium consumption imported from foreign countries during 2017

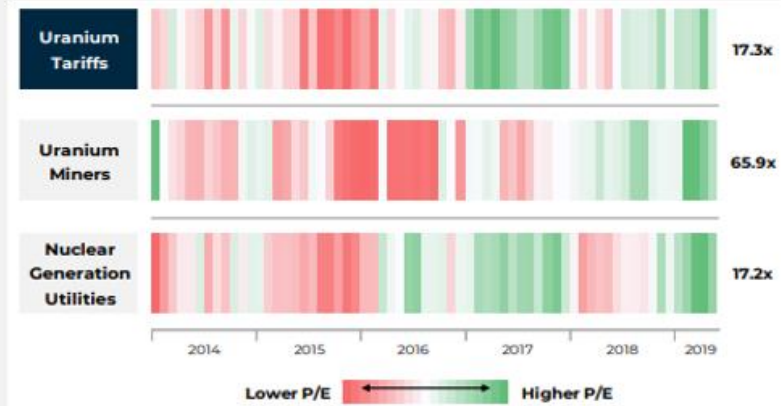
50

Number of nuclear reactors under construction globally

Historical P/E Multiples (Basket Average)



Rolling NTM P/E (Sub-industry and Basket Averages)



EventShares Policy Alpha ETF (Ticker: PLCY)

Uranium — Miners

FUNDAMENTALS: Uranium Tariff Policy Basket

Average Rank	Valuation NTM P/E	Size Market Cap (\$B)	Profitability EBITDA Margin	Cash Flow Yield	Leverage Debt / EBITDA	Liquidity Cash / Sales	Payout Div. Payout Ratio
1 Dominion Energy	-	\$61.04	41.0%	0.6%	4.5x	4.5%	89.3%
2 Exelon	15.8x	\$48.71	29.6%	1.2%	4.1x	3.0%	66.5%
3 AES	12.2x	\$11.19	31.3%	3.2%	4.7x	21.8%	34.9%
4 NextEra Energy	24.6x	\$98.07	48.3%	-3.3%	3.8x	9.1%	32.0%
5 PPL	12.8x	\$22.45	51.6%	-2.1%	5.2x	8.1%	63.6%
6 BHP Group (ADR)	120.0x	\$81.70	0.0%	0.0%	7.0x	37.2%	169.7%
7 AZZ	17.8x	\$1.15	13.9%	7.4%	1.6x	2.6%	34.7%
8 Duke Energy	17.6x	\$63.17	38.1%	-4.3%	5.8x	2.1%	96.5%
9 Cameco	117.6x	\$4.12	17.6%	5.5%	4.5x	61.6%	19.0%
10 Ameren	23.8x	\$18.72	38.9%	-0.1%	3.9x	0.4%	55.7%
11 Entergy	17.9x	\$19.19	27.5%	-10.6%	5.1x	9.0%	77.4%
12 Rio Tinto (ADR)	-	\$77.78	0.0%	0.0%	-	33.3%	38.7%
13 Energy Fuels	-	\$0.29	-47.8%	-2.4%	-	102.0%	-
14 Denison Mines	-	\$0.28	-106.1%	-5.4%	-	117.1%	-
15 Ur-Energy	-	\$0.13	-53.2%	-9.8%	-	45.3%	-
16 Paladin Energy	-	\$0.23	-	-	-	82.0%	-
17 Uranium Energy	-	\$0.24	-	-6.0%	-	-	-

EventShares Policy Alpha ETF (Ticker: PLCY)

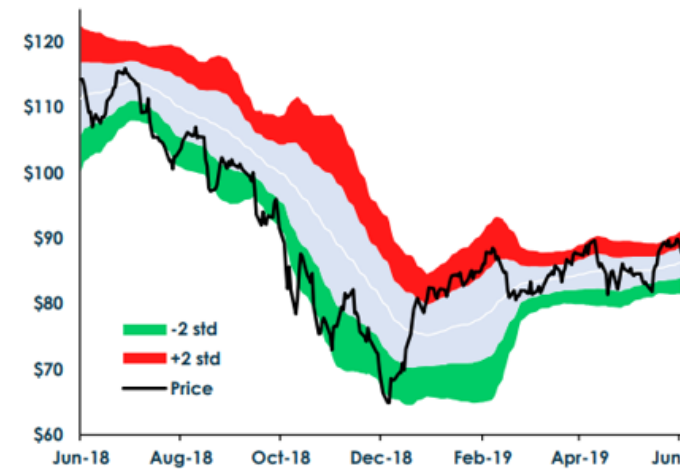


EventShares Policy Alpha ETF (Ticker: PLCY)

Sports Betting — Regional Casinos, Sports Betting Software

- Sports betting brings a new customer segment into the legal U.S. gambling market
 - Driven by new gambling opportunities, younger customers will move from the illegal offshore gambling market to the legal gambling market.
 - New sports betting offerings will require technology to calculate odds and enable mobile sports betting. Media partnerships between sports betting systems and content producers provide additional growth opportunities.
- More foot traffic
 - Customer growth means extra opportunities to capture more dollars from traditional casino games and cross-sell dining and lodging packages.
- Multi-Year Impact
 - Supreme Court legalized sports betting in May 2018; 8 states passed sports betting measures in 2018, with additional states passing measures in 2019.
 - Growth opportunities expected to last past 2025 as more states consider sports betting legalization.

Trading Range (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

Relative Returns to S&P 500 Index (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

EventShares Policy Alpha ETF (Ticker: PLCY)

Sports Betting — Regional Casinos, Sports Betting Software

8 States

Number of states, including NV, that have legalized gambling (+2 with states in the on-deck circle: NY, AR)

2019 Docket

22 states have bills on the 2019 legislative docket (Legal Sports Report)

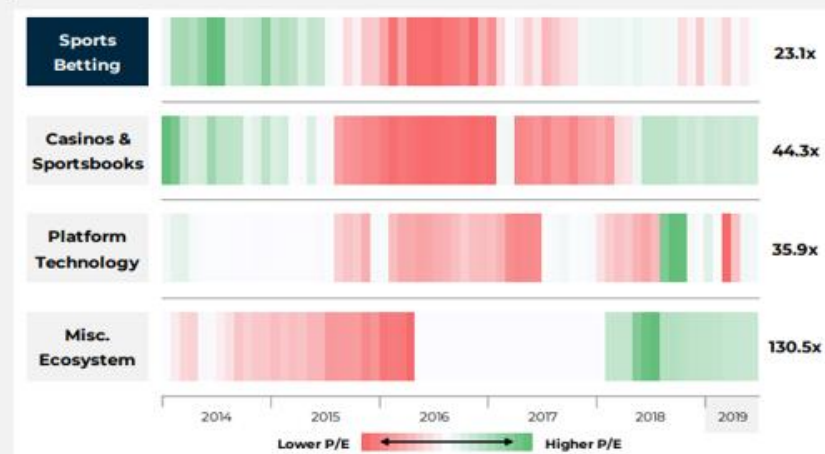
\$2-6 Billion

Forecasted annual gross win averages over the next five years (International Game Technology - 2018 Investor Day)

Historical P/E Multiples (Basket Average)



Rolling NTM P/E (Sub-industry and Basket Averages)



EventShares Policy Alpha ETF (Ticker: PLCY)

Sports Betting — Regional Casinos, Sports Betting Software

FUNDAMENTALS: Sports Betting Policy Basket

Average Rank		Valuation NTM P/E	Size Market Cap (\$B)	Profitability EBITDA Margin	Cash Flow Yield	Leverage Debt / EBITDA	Liquidity Cash / Sales	Payout Div. Payout Ratio
1	The Stars Group	8.3x	\$4.69	31.2%	5.2%	5.4x	12.5%	-
2	MGM Resorts	21.4x	\$14.86	21.4%	4.7%	4.7x	10.1%	59.3%
3	Everi Holdings	24.3x	\$0.79	45.8%	6.2%	4.5x	28.9%	-
4	Boyd Gaming	14.7x	\$3.05	22.6%	8.2%	6.0x	9.6%	23.1%
5	Churchill Downs	25.5x	\$4.45	25.8%	1.9%	3.2x	14.5%	17.0%
6	Caesars Entertainment	0.0x	\$7.70	24.0%	5.5%	7.9x	17.7%	-
7	Scientific Games	70.7x	\$1.68	35.8%	-	7.4x	37.0%	-
8	Intl. Game Technology	13.1x	\$2.56	-	-	-	11.2%	-
9	Eldorado Resorts	-	\$3.55	24.9%	4.0%	5.6x	11.5%	-
10	Paddy Power Betfair	18.8x	\$5.66	-	-	-	15.5%	82.8%
11	Penn National Gaming	11.6x	\$2.16	26.0%	12.3%	6.7x	9.9%	-
12	GVC Holdings	10.8x	\$4.60	-	-	-	14.6%	-
13	PlayAGS	24.6x	\$0.66	41.4%	3.8%	3.2x	3.5%	-
14	Kambi Group	38.9x	\$0.59	29.6%	3.3%	-	50.7%	-
15	William Hill	15.2x	\$1.62	-	-	-	31.5%	-
16	GAN	-	\$0.08	-	-	-	52.5%	-

EventShares Policy Alpha ETF (Ticker: PLCY)

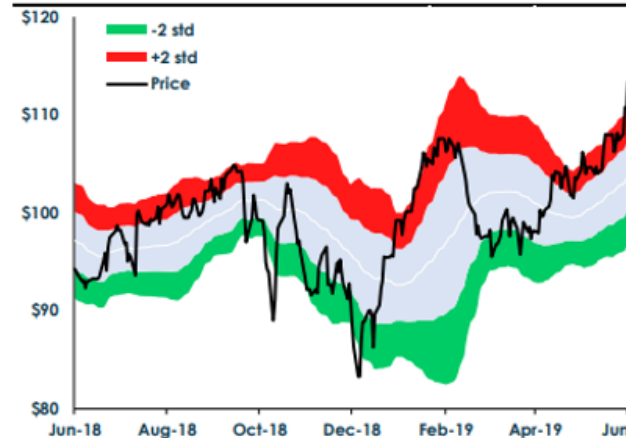


EventShares Policy Alpha ETF (Ticker: PLCY)

Space Force — DoD Prime Contractors, Space Ecosystem

- USSF could be a large / crucial military branch but won't dramatically increase defense spending in the immediate future
 - The estimated \$2 billion cost is a drop in the bucket compared to the \$718 billion the DoD requested for FY2020
- After the initial 5Y roll-out, space operations are set to expand
 - Remember legislative gears of Washington tend to move slowly, especially on changes as large as building and operating a new military branch.
- A new military branch with a budget in the billions could be a significant investment opportunity
 - Finding a pure play firm to capitalize on Space Force will be difficult. That being said, many of the well-known defense primes like Boeing, Raytheon, Lockheed Martin, etc. have major space operations and may be the optimal way to gain exposure to space

Trading Range (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

Relative Returns to S&P 500 Index (Equal Weight Basket)



Source: FactSet (as of 6/22/2019)

EventShares Policy Alpha ETF (Ticker: PLCY)

Space Force — DoD Prime Contractors, Space Ecosystem

\$2 Billion

Estimated additional cost of implementation over 5 years

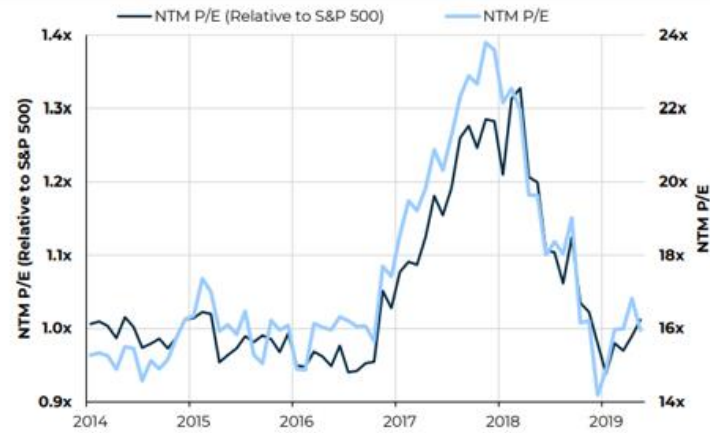
\$12.5 Billion

Total budget request amount for DoD space activities FY2019

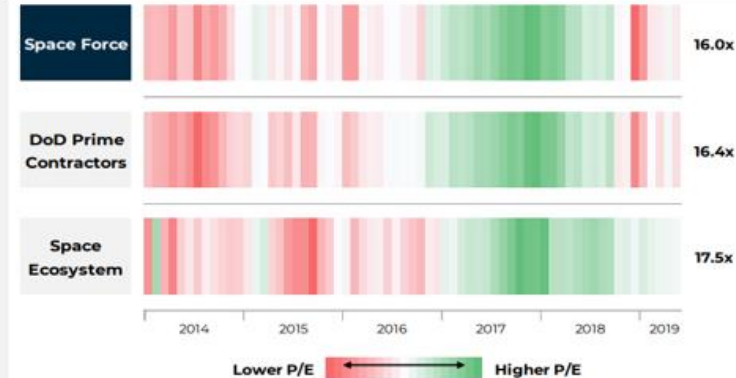
60+ Organizations

Approximate number of military space organizations that would be consolidated under one roof

Historical P/E Multiples (Basket Average)



Rolling NTM P/E (Sub-industry and Basket Averages)



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Space Force — DoD Prime Contractors, Space Ecosystem

FUNDAMENTALS: U.S. Space Force Policy Basket

Average Rank		Valuation NTM P/E	Size Market Cap (\$B)	Profitability EBITDA Margin	Cash Flow Yield	Leverage Debt / EBITDA	Liquidity Cash / Sales	Payout Div. Payout Ratio
1	Alphabet	23.1x	\$326.69	29.7%	3.1%	0.1x	80.1%	-
2	Boeing	20.4x	\$196.28	13.3%	6.0%	1.0x	7.7%	38.3%
3	Honeywell	20.9x	\$126.04	21.5%	4.8%	1.8x	26.5%	34.0%
4	United Technologies	15.5x	\$107.70	14.9%	4.9%	3.2x	9.0%	43.6%
5	Raytheon	15.0x	\$49.34	18.8%	3.7%	1.0x	7.6%	34.2%
6	Lockheed Martin	16.8x	\$98.72	16.0%	3.3%	1.5x	1.8%	46.6%
7	Aerojet Rocketdyne	26.8x	\$3.27	17.8%	10.0%	2.5x	37.5%	-
8	General Dynamics	14.2x	\$49.67	14.0%	4.2%	2.4x	1.8%	33.3%
9	Northrop Grumman	15.6x	\$52.24	15.1%	4.2%	3.1x	2.7%	25.4%
10	Iridium Communications		\$3.03	50.8%	-3.0%	5.9x	51.3%	-
11	Maxar Technologies	4.7x	\$0.37	-14.4%	-40.8%	6.4x	2.4%	-